

Price Intervention through Increased Taxes on Alcoholic Beverages

A Best Practice in Preventing Substance Abuse and Related Problems

Executive Summary

Increasing taxes on alcoholic beverages is recognized widely as a proven environmental strategy for reducing not only substance abuse, but also traffic crashes, drunk driving, violent crime, suicide and long-term health problems. Inexpensive beer, in particular, poses a threat to young people because of its relative cost approximating that of a soda pop and easily afforded by teenagers at less than \$4 per six-pack. Beer also lends itself to hazardous consumption because users underestimate the risk of alcohol in this more diluted form.^{1,2} The link between early alcohol use and later abuse of illicit drugs is well established through research. The 2000 National Household Survey on Drug Abuse revealed that youth who used alcohol were more than 7 times as likely to have engaged in use of illicit drugs compared to non-users. On the bright side, each year of delay in initiation of drinking decreases the likelihood of later alcohol abuse problems significantly.³

These facts provide persuasive reasons for advancing economic interventions to prevent alcohol use among young people, especially when coupled with their potential value as revenue sources for further leverage in combating substance abuse through investment in prevention and treatment. Public support for such approaches is growing, as evidenced by a 1998 Robert Wood Johnson Foundation survey that found 82% of Americans support a tax increase on alcohol to fund youth prevention and treatment efforts.⁴

ECONOMIC INTERVENTIONS AS A BEST PRACTICE In Preventing Substance Abuse

Economic interventions on availability of alcohol and tobacco are used by some states as revenue sources for prevention and treatment programs. Increased taxes on legal substances are an effective means not only of raising revenue to fund important activities, they are in and of themselves effective means of preventing substance abuse.

Research on the effectiveness of price interventions have consistently demonstrated results. While at times these interventions have particularly targeted youth-access to alcohol and tobacco, the broader effects include reductions in adult use, traffic crashes, suicide, serious health problems (cirrhosis) and violent crime. The beneficial effects of increased prices for alcohol are not limited to youth, but transcend age-group effecting adolescents through college-age binge drinking and heavy adult consumers.

Substance abuse prevention efforts have typically been associated with individualized domains such as family and school oriented interventions. More and more, research is demonstrating the effectiveness of interventions in the broader shared environment. These include responsible beverage service, laws and ordinances effecting advertising and alcohol outlet density, zoning laws, and economic intervention such as increased taxes on tobacco and alcohol. Recently in Washington State a popular referendum increased taxes on a pack of cigarettes by \$.60 per pack. Such tax increases are referred to as economic or price-interventions.

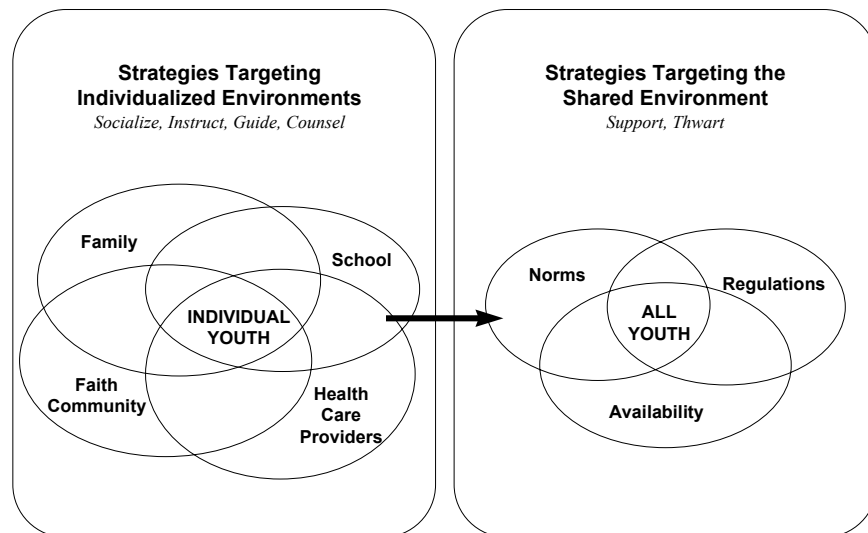


Figure 1: Integrating Environmental Change Theory Into Prevention Practice by Michael Klitzner, Ph.D.

Norms and regulations effecting the availability (and perceived availability) of alcohol, tobacco and other drugs effect all youth and the larger community. Such environmental strategies as price-interventions on beer can be a particularly effective means of combating abuse by reducing risk factors such as Availability of Alcohol, Community Laws and Norms Favorable Toward Use, Favorable Attitudes Toward Use, Early Initiation of Use and Friends who Use. Economic Interventions can have a powerful influence on creating healthier communities.

Considerable research has been conducted on such interventions, dating back more than 15 years. The growing body of evidence strongly suggests these strategies are an effective means of reducing access to alcohol and tobacco. However, much remains to be done when one can obtain alcoholic beverages (beer) for the same price as a soda pop. To illustrate this fact further, a 6-pack of beer can be purchased for approximately \$4, an amount easily afforded by teens who would spend more on a single movie (or a pack of cigarettes) than for a sufficient quantity of beer to produce a high degree of intoxication.

A number of influences have led to the low cost of alcoholic beverages. Among these has been the mustering of resources by large and small beer producers to oppose increased taxes on beer. Such companies are eager to leverage increased sales by relative cost-reduction as most tax levels on beer have failed (to varying degree depending on the state) to keep pace with inflation. "Alcohol is cheap and becoming cheaper. The real price of alcohol has been steadily dropping for the last 5 decades, in part due to the decline in the real value of alcohol excise taxes."⁴ This observation is illuminated further from within the beer industry where, according to the Beer Institute's annual report in 1998, "brewers can look forward to increased domestic sales over the next several years if they "can avoid significant new tax or regulatory measures."⁵

To that end, the beer industry has successfully lobbied U.S. congress to sponsor a bill to reduce federal alcohol taxes to 50% of their current level (similar to 1951 levels). If HR1305 is passed into law, the implementation of state taxes may be necessary even to hold prices to current levels. More information on this federal initiative can be found at <http://www.cspinet.org/booze/HR1305.htm>.

The effectiveness of economic interventions has been demonstrated in a number of research articles.

Numerous research studies clearly establish that increases in taxes and/or prices of alcoholic beverages are associated with decreases in consumption. Studies have shown that youth are especially sensitive to price increases. This means that increasing price of alcoholic beverages (beer) will effect youth more strongly than adults (Gorssman et. Al., 1994).

A selection of others annotated below with excerpts:

An empirical analysis of alcohol addiction: Results from the Monitoring the Future panels

Several recent studies have examined alcohol demand among young people. Grossman and colleagues (11) analyzed a subset of data from 10 consecutive Monitoring the Future (MTF) studies, annual nationwide surveys of between 15,000 and 19,000 high school seniors. Results suggested that raising alcohol prices would be an effective policy to reduce alcohol consumption among youth (11).

Grossman, M.; Chaloupka, F.J.; and Sirtalan, I. An empirical analysis of alcohol addiction: Results from the Monitoring the Future panels. *Econ Inquiry* 36(1):39–48, 1998.

Youth Access to Alcohol Survey: Summary Report.

Percentage of U.S. population (18+ years of age) that favor increase of alcohol tax to fund prevention programs is 81.8%.

Harwood, E., Wagenaar, A., and Zander, K. (1998). *Youth Access to Alcohol Survey: Summary Report*. Prepared for the Robert Wood Johnson Foundation. Minneapolis, MN: University of Minnesota.

Alcohol Taxes and Link to Lower Traffic Fatality

Several studies have found that higher alcohol taxes are linked to lower traffic fatality. Based on nationwide traffic fatality data from 1982 to 1988, Ruhm reported that the rates for nighttime fatalities and for fatalities involving young people were especially responsive to increased beer prices.

National Institute on Alcohol Abuse and Alcoholism No. 51 January 2001

Ruhm, C.J. Alcohol policies and highway vehicle fatalities. *J Health Econ* 15 (4):435–454, 1996.

Phelps, C.E. Death and taxes: An opportunity for substitution. *J Health Econ* 7(1):1–24, 1988.

Kenkel, D.S. Drinking, driving, and deterrence: The effectiveness and social costs of alternative policies. *J Law Econ* 36(2):877–913, 1993.

Strategies to reducing driving under the influence of alcohol.

Research on the prevention of alcohol-related traffic deaths since the 1988 Surgeon General's Workshop on Drunk Driving is reviewed. The review covers four main areas: general deterrence policies, alcohol control policies, mass communication campaigns including advertising restrictions, and community traffic safety programs. In the United States, modern efforts against drunk driving began with specific deterrence strategies to punish convicted drunk drivers, then evolved into general deterrence strategies aimed at the whole population, then expanded to measures to reduce underage drinking and excessive alcohol consumption.

DeJong, W., & Hingson, R. (1998). Strategies to reducing driving under the influence of alcohol. *Annual Review of Public Health* 19, 359–378.

Environmental management: A comprehensive strategy for reducing alcohol and other drug use on college campuses

Introduces environmental management as a critical component of alcohol and other drug prevention on campus. It presents background information on the public health and legal perspectives of environmental management and then suggests specific spheres of action. These include a campus taskforce to address institutional factors such as alcohol availability on campus, information campaigns, and disciplinary procedures; a campus and community coalition to address community factors including advertising restrictions, media advocacy, and strict enforcement of minimum purchase age laws; and associations of colleges and universities to address public policy.

DeJong, W., Vince-Whitman, C., Colthurst, T., Cretella, M., Gilbreath, M., Rosati, M., & Zweig, K. (1998). *Environmental management: A comprehensive strategy for reducing alcohol and other drug use on college campuses*. Newton, MA: Higher Education Center for Alcohol and Other Drug Prevention.

Alcohol policy and the public good

This book reports the work of the Alcohol and Public Policy Project. It examines drinking level and the resulting risks to both an individual and society. It then discusses policies that address these risks, including retail price and taxation, alcohol availability, impaired driving countermeasures, media and educational programs, and individual interventions. The scientific evidence for each policy's efficacy is presented throughout the text.

Edwards, G., Anderson, P., Babor, T. F., Casswell, S., Ferrence, R., Giesbrecht, N., Godfrey, C., Holder, H. D., Memmens, P., M@kela, K., Midanik, L. T., Norstrom, T., Osterberg, E., Romelsjo, A. A., Room, R., Simpura, J., & Skog, O-J. (Eds.). (1994). *Alcohol policy and the public good*. New York: Oxford University Press.

Alcohol research and social policy: An overview

This article, written by the director of the National Institute on Alcohol Abuse and Alcoholism, looks at the ways in which scientific research can help community leaders make policy decisions. Scientific research can be used to bolster public support for a policy, to evaluate a policy after it has been implemented, and to analyze the risks and benefits of emerging policies. This overview introduces an issue of *Alcohol Health and Research World* devoted to alcohol research and social policy. The issue includes reviews of research on the minimum legal drinking age, impaired driving policy, alcohol taxation, and alcohol availability issues.

Gordis, E. (1996). Alcohol research and social policy: An overview. *Alcohol Health and Research World*, 20, 208–212.

Alcohol and public policy: Evidence and issues.

A second publication of the Alcohol and Public Policy Project, this book provides more indepth analysis of the scientific research relating alcohol use and risk, as well as policies on price, interventions, public discourse, moderate drinking, and cost effectiveness.

Holder, H. D., & Edwards, G. (Eds.). (1995). *Alcohol and public policy: Evidence and issues*. New York: Oxford University Press.

Environmentally oriented alcohol prevention policies for young adults

This chapter presents an overview of the research supporting several environmentally based alcohol policies. The policies fit into general categories, including availability, price, sales and service policies, minimum purchase age, information strategies, controls on advertising, and impaired driving strategies. Specific strategies within each category are reviewed, and particular emphasis is given to the effectiveness of the strategies with young adults.

Stewart, K. G. (1997). Environmentally oriented alcohol prevention policies for young adults. In Substance Abuse and Mental Health Services Administration, Center for Substance Abuse Prevention, *Secretary's Youth Substance Abuse Prevention Initiative: Resource papers. Pre-publication documents* (pp. 107–157). Rockville, MD: SAMHSA, CSAP.

INFORMATION ON HOW TO INCREASE ALCOHOL TAXES IN STATES AND COMMUNITIES CAN BE FOUND AT:

<http://www.cspinet.org/booze/taxguide/taxes.html>

or obtain a copy of *State Alcohol Taxes & Health: A Citizen's Action Guide* from [Center for Science in the Public Interest](#), 1875 Connecticut Avenue NW, Suite 300, Washington D.C. 20009-5728, (202) 332-9110, ext. 385. The cost is \$10

plus shipping and handling. Note: portions of the publication are available on our web site: http://www.cspinet.org/booze/taxguide/tax_toc.htm

SOURCES CITED

1. Rogers JD. Greenfield TK. Beer drinking accounts for most of the hazardous alcohol consumption reported in the United States. *Journal of Studies on Alcohol*. 60(6):732-9, 1999
2. Greenfield JD & Rogers TK. Alcohol beverage choices, risk perception, and self-reported drunk driving: effects of measurement on risk analysis. *Addiction* (in press)
3. Bridget Grant and Deborah Dawson, "Age at Onset of Alcohol Use and Its Association with DSM-IV Alcohol Abuse and Dependence: Results from the National Longitudinal Alcohol Epidemiologic Survey." *Journal of Substance Abuse*, 9:103-110, 1997.
4. Youth Access to Alcohol Survey. Princeton, NJ: Robert Wood Johnson Foundation, 1998.
5. State of the Industry: A Second Consecutive Year of Growth (Annual Report). Washington, DC: Beer Institute, 1997.

FOR FURTHER INFORMATION:

www.westcapt.org

Identifies Economic Interventions as a Best Practice in preventing substance abuse.

<http://www.drugs.indiana.edu/publications/ncadi/alerts/html/alert11.html>

Explores the cost of alcohol use on society.

<http://www.drugs.indiana.edu/publications/ncadi/alerts/html/alert34.html>

Explores policy implication and summarizes research on effectiveness of increased taxes and other environmental strategies.

http://www.cspinet.org/booze/iss_taxes.htm

Fact Sheets on beer taxes

http://www.cspinet.org/booze/taxguide/tax_toc.htm

Community Action Guide for Increasing alcohol taxes

http://www.prevent.org/Winword/pb_PDFalcohol_tax_briefing1.pdf

Policy briefing on alcohol excise taxes

http://www.hsph.harvard.edu/cas/Documents/enviro_n_corr-article/16

Environmental Correlates of Underage Alcohol Use and Related Problems of College Students—Harvard.

<http://www.drugstrategies.org/keepingscore1999/a70>

Reviews alcohol pricing and literature on effectiveness

<http://www.northeastcapt.org/csap/papers/fisher.pdf>

Paper on environmental strategies